

AR81

Annual Report
2005

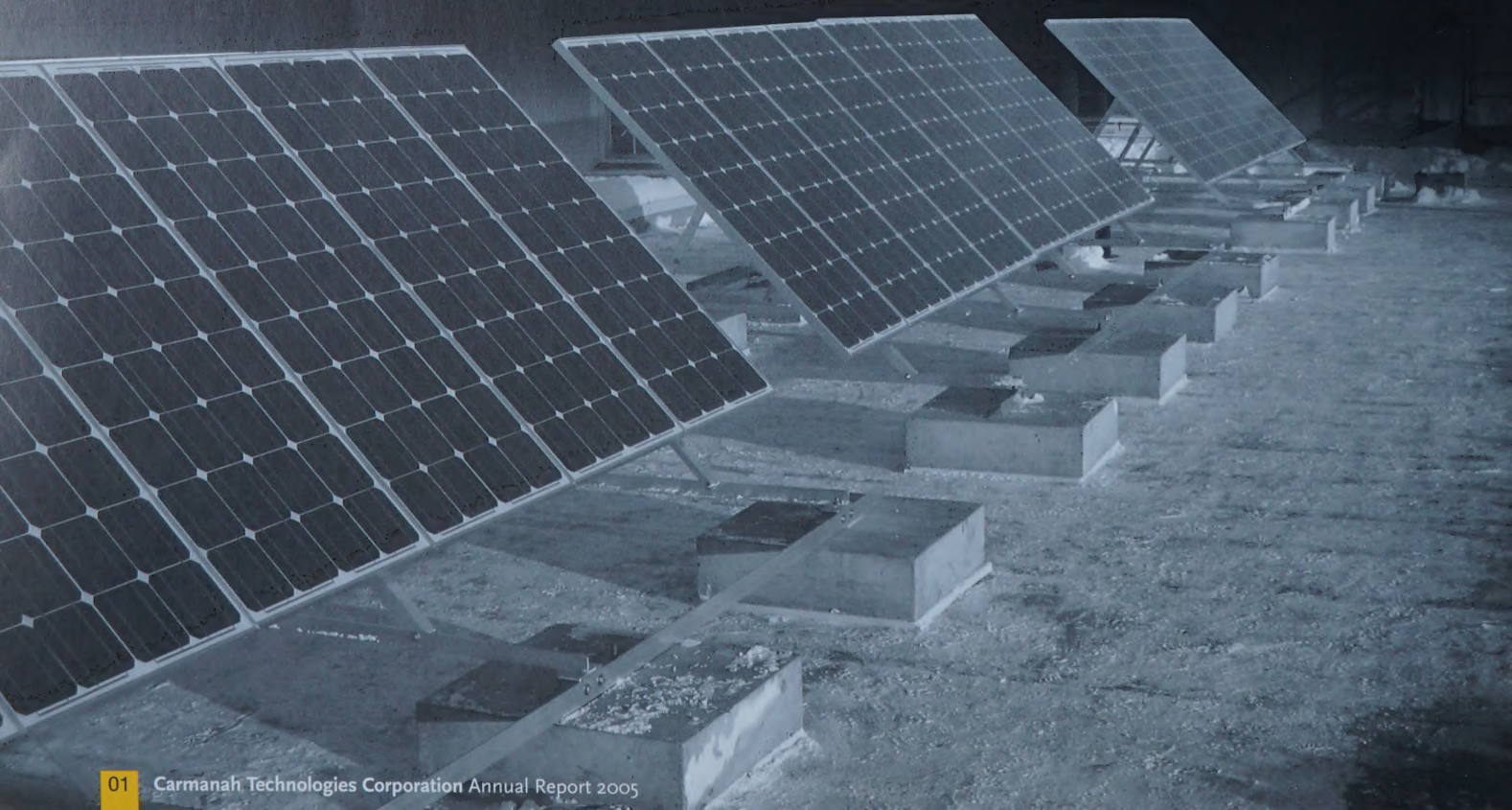


Carmanah®

CHANGE THE WORLD WITH US™

“ Carmanah’s energy-efficient products saved more than 13,000 metric tonnes of CO₂ emissions in 2005 alone. This equates to 1,422,057 gallons of gasoline, 29,036 barrels of oil, or 63 railcars of coal burned. ”

1. Company Overview
2. Sales Verticals
3. The Year in Review
4. Board of Directors
5. Management Discussion and Analysis of Financial Statements
6. Auditors’ Report to the Shareholders





01.



02.



03.

2005 Recognition

December 5
 "Innovation Export Award"
 and "2005 Canadian Exporter
 of the Year"
International Trade Canada

November 13
 Finalist for California's
 "2005 Flex Your Power Award"
Flex Your Power

October 26
 Ranked #3 in "2005
 Business BC Top 100"
Vancouver Sun

August 02
 "Global 100 Eco-Tech Award"
 Expo 2005 in Aichi, Japan
2005 World Exposition

July 26
 Subsidiary Soltek Ranked
 #4 in "2005 British Columbia's
 Biggest Alternative Energy
 Companies"
*Business in Vancouver
 Magazine*

July
 Ranked #91 in
 "British Columbia's
 Top 100 Public Companies"
BC Business Magazine

June
 Ranked #86 in
 "British Columbia's
 Top 100 Public Companies"
*Business in Vancouver
 Magazine*

June
 Ranked #36 in Canada's
 "Fastest Growing Companies"
PROFIT Magazine

June 1
 CEO Art Aylesworth recognized
 as 2005 VIATec "Executive of
 the Year"
VIATeC

January 18
 "Best New Marine Safety
 Product"
*Canadian Safety Boating
 Council*

01. Carmanah's Model 701 solar-powered LED marine light installed at the Port of Galicia in Spain. 02. Carmanah's solar-powered LED illuminated bus stop installed in London, England. 03. Battery packs assembled at Carmanah's newly-expanded production facility.

1.

Company Overview

Through a growing portfolio of proprietary technologies, as well as partnerships with many of the world's leading component suppliers, Carmanah Technologies Corporation is a leading developer of renewable and energy-efficient technology solutions.

Carmanah is currently focused on three technology groups: solar-powered LED lighting, solar power systems (off grid and grid tie), and LED illuminated signage.

The Company's headquarters and primary manufacturing facilities are in Victoria, British Columbia, Canada. The Company also operates additional manufacturing facilities in Calgary, Alberta, Canada, as well as regional sales and customer support offices. Specifically, our locations include:

Canada

Victoria, British Columbia
Calgary, Alberta
Barrie, Ontario
Toronto, Ontario
Ottawa, Ontario

United States

Santa Cruz, California
Olympia, Washington
Riverton, Utah
Doylestown, Pennsylvania

Europe

Crawley, West Sussex, England

Carmanah currently has more than 250,000 installations in 110 countries. The Company's products are used extensively in the industrial, aviation, marine, transportation, recreational, and point-of-purchase markets. Carmanah's customer list includes a wide range of government, commercial and private users worldwide, who are serviced directly by the Company or one of its regional authorized distributors and sales agents.

Since 1998, Carmanah has maintained a profitable average annual growth rate of 80% - a phenomenal statistic for a "green" technology manufacturer.

Carmanah is a public company listed on the Canadian Toronto Stock Exchange (TSX) under the stock symbol "CMH", as well as the Berlin and Deutsche Börse AG Stock Exchanges under the stock symbol "QCX" (German securities ID: WKN 662218). In the United States, Carmanah's shares are quoted on the PinkSheets® (symbol: "CMHXF").





Carmanah's Technology Groups

Solar-Powered LED Lighting

Carmanah's Solar LED Lighting Group produces unique lighting products that operate almost anywhere in the world, and meet or exceed reliability and maintenance criteria developed for traditional lights connected to an electrical power grid. Carmanah's solar-powered LED lights are suitable for a variety of applications in the industrial, aviation, transit and roadway markets. Key benefits for Carmanah's customers are simple installation, lower capital costs, zero energy costs and no maintenance or servicing.

Carmanah's solar-powered LED lighting and illumination products incorporate the Company's patented MICROSOURCE® Energy Management System (EMS), which has been developed and refined over more than a decade. The MICROSOURCE® EMS differentiates Carmanah's solar-powered LED products from its competition and affords the Company the unique ability to offer high output performance and extreme reliability in a compact form.

Solar Power Systems (Off Grid & Grid Tie)

Carmanah's Solar Power Systems Group offers a full range of renewable energy equipment and systems for any size of project. Created through the acquisition of Soltek Powersource Ltd. in 2005, the Carmanah Power Systems Group has more than 20 years experience in solar power systems design and technical expertise. It currently supplies approximately 60% of all solar power systems in Canada and is experiencing substantial growth throughout North America.

Off Grid

For industrial, residential, recreational or custom applications, Carmanah's Solar Power Systems Group specializes in the design and supply of solar-powered electrical systems. Whatever the

application or scale, Carmanah works with clients to design and deliver systems to power devices at remote locations. Solar power makes it possible for Carmanah's customers to install and operate equipment at isolated locations, often at a fraction of the costs associated with a utility connection or fossil-fuel generator.

Grid Tie

Through the increasing interest in environmentally-friendly power and the growing number of government support and rebate programs, grid-tie solar is becoming one of the fastest growing sectors within the solar power industry. Carmanah's Power Systems Group offers grid-tie solutions for both commercial and residential applications.

LED Illuminated Signs

Carmanah's LED Sign Group was created through the acquisition of AVVA Light Corporation in 2003. Since 1993, this group has been creating energy-efficient LED illuminated signs for corporate identity, point-of-purchase, architectural and gaming applications. Carmanah's LED signs offer superior illumination characteristics over neon or fluorescent lighting alternatives, as well as long life, zero maintenance, and up to 90% less energy consumption. Each sign is created using state-of-the-art manufacturing and production procedures, as well as proprietary techniques developed through the Company's experience in the industry.

Carmanah's LED Sign Group currently has more than 50,000 signs installed throughout North America and abroad. The Company's client list includes many of the most progressive and successful global companies and brands in a variety of market segments.

01. Carmanah's solar-powered LED obstruction light installed in South Africa. 02. Carmanah's MAPPS (Modular Autonomous Photovoltaic Power Supply) system installed in a remote, arid US location. 03. A Carmanah edge-lit LED illuminated point-of-purchase sign installed at a retail outlet.

2.

Sales Verticals



Through both direct and distributor sales programs, Carmanah currently serves the following market verticals:

Solar-Powered LED Lighting	
<i>Marine</i>	Navigation and hazard marking lights with one, two, three and four nautical mile ranges.
<i>Transit</i>	i-SIGNAL™ solar-powered bus signalling device. i-STOP® solar-powered bus stop with LED bus signalling, overhead LED security lighting and LED edge-lit schedule illumination. i-SHELTER™ solar-powered LED lighting systems for shelters and advertising panels.
<i>Aviation</i>	Taxiway edge lighting, runway lighting, obstruction lighting, apron lighting, barricade lighting and emergency lighting.
<i>Roadways</i>	Pedestrian crosswalk signals, school zone flashers, 24 hour roadway beacons, internally-illuminated street-name and traffic signs.
<i>Industrial Worksite</i>	Warning lights, obstruction lights, equipment-marking lights, railway track warning lights, bridge marking lights.
Solar Power Systems	
<i>Off-Grid Solar</i>	Telecommunications, oil and gas, mobile, security, residential and recreational solar-power systems.
<i>Grid-Tie Solar</i>	Commercial, residential, building-integrated photovoltaic systems.
LED Illuminated Signs	
<i>Point-of-Purchase</i>	Corporate identity, branding, identification, gaming and lottery signs.
<i>Architectural</i>	Directional, way-finding, service, corporate identity signs.



Sales & Business Highlights

December - Carmanah to Supply Canada's Largest Solar Power System

Carmanah received confirmation of a contract to supply the City of Toronto with a 100 kW solar power system for the Horse Palace at its Exhibition Place. The system was valued at more than \$1 million.

December - Release of R829C Solar LED School Zone Flasher

Carmanah officially launched its ultra-compact R829C Flashing School Zone Beacon - the most advanced solar-powered school zone flasher available in the world today. The new flasher continues to improve driver awareness in school zones and reduce vehicle speeds, while providing an unobtrusive, aesthetically-pleasing alternative to existing technology.

December - Carmanah Closes \$15,000,000 Private Placement Financing

Carmanah successfully completed a "bought-deal" private placement financing with a syndicate of underwriters, led by GMP Securities L.P. and including Canaccord Capital Corporation and Sprott Securities Inc.

November - Release of M704-5 Four Nautical Mile Solar LED Marine Light

Based on Carmanah's industry-leading 700 Series design, the Model M704-5 is the world's most compact, durable and reliable solar LED marine lantern with up to 4 nautical miles of visibility. The unit features a new proprietary optical design (patent pending), incorporating an array of surface-mounted LEDs with output redirected and dispersed evenly and accurately via a parabolic reflector.

September - Carmanah Awarded Contract for Solar LED Bus Stop Lighting in London, England

Carmanah was awarded a contract by Trueform Engineering Ltd. of the United Kingdom, the exclusive contracted supplier of transit infrastructure for London Buses, for the supply of a minimum of 1,200 solar LED-illuminated bus stops. These units are scheduled for installation throughout the City of London, England, between October 2005 and March 2006. The total value of the contract is in excess of \$1.5 million.

August - Carmanah Awarded Two Additional Standing Offer Contracts with the Canadian Coast Guard

Valued at up to \$828,000, these Standing Offer Contracts follow two previous supply agreements for solar-powered LED marine lighting, the first of which was awarded to Carmanah in May of 2002, and the second on June 27, 2005. "Carmanah was the only solar LED marine lantern supplier to satisfy the Canadian Coast Guard's rigorous standards, which is a testament to our technological leadership," states Carmanah's CEO, Art Aylesworth.

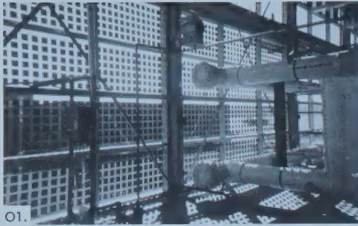
July - Carmanah Completes the Acquisition of Soltek Powersource Ltd.

The acquisition joins two successful and complementary companies - Carmanah with its self-contained solar packages and proprietary LED technology, and Soltek with its larger-scale solar power systems - to form a new and significant leader in solar power markets both domestically and internationally.

July - Release of the R247C 24-Hour Roadway Beacon

Carmanah's new Model R247C 24-hour flashing beacon is the most compact, self-contained, solar LED beacon available that uses an ITE (USA's Institute of Transportation Engineers) compliant signal head.

01. Carmanah's solar-powered LED marine navigation light installed in East Malaysia. 02. Carmanah's LED illuminated lottery sign with wireless jackpot control. 03. Carmanah's solar power system installed in Desolation Sound, BC.



01.



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June - Carmanah Provides i-SHELTER™ Technology for Shelters in the City of Seattle, WA

After an extensive and successful field trial in Seattle's challenging solar environment, Carmanah was awarded a contract (valued at up to US \$400,000) by King County Metro Transit to provide its i-SHELTER™ solar-powered LED bus shelter lighting systems.

June - Carmanah Illuminates 225 Bus Shelters in the City of Vancouver, BC

Carmanah contracted with Viacom Outdoor JCDecaux Street Furniture Canada Limited Partnership, a joint venture between two of the world's largest outdoor advertising companies, to supply 225 units of its i-SHELTER™ solar LED lighting systems.

June - Carmanah Awarded Contract for Solar LED Bus Stop Lighting Systems by PACE Suburban Bus of Chicago, IL

Awarded through a public bid process, this contract is valued at up to \$885,000. Installation is scheduled over the next five years. This order follows a successful field trial where PACE installed 19 units and then received positive passenger feedback.

May - Carmanah Graduates to Tier One Status on the TSX Venture Exchange

The reclassification to Tier 1 status on the TSX Venture Exchange recognized the management experience and current financial strength of the Company.

April - Carmanah Awarded \$662K Contract for Solar LED Shelter Lighting Systems

Through a relationship with one of the world's largest outdoor advertising companies, Carmanah supplied a significant rollout of its solar-powered LED shelter lighting technology for installation at Toronto, Ontario Canada.

March - Carmanah Provides US Marine Corps with Additional Solar LED Airfield Lighting

In another order valued at approximately \$765,000, Carmanah supplied more than 1,500 solar-powered LED airfield lights to the U.S. Marine Corps for installation in the Middle East.

March - Carmanah Provides Nassau, Bahamas with Backup Airfield Lighting During Runway Improvements

Carmanah was contracted to supply solar-powered LED runway lighting for two runways undergoing resurfacing and pavement upgrades. Combined value of the orders was approximately \$391,000.

February - Carmanah Provides Solar LED Airfield Lighting to the US Marine Corps.

Valued at approximately \$615,000, Carmanah received an order to supply more than 1000 taxiway, helipad, runway and obstruction lights.

February - Carmanah Expands London Office to Serve European Markets

After three years with a senior member of our Canadian management team living and working in Greater London, Carmanah expanded to a new base of operations to serve several strategic customers and projects within the European transit industry.

01. Carmanah's BIPV (Building Integrated Photovoltaic) system installed on the Bedford Oceanographic Centre in Halifax, Nova Scotia.
02. University of South Carolina/North Carolina State University buoy deployed and using Carmanah's solar-powered LED marine navigation light. 03. i-SHELTER™ solar-powered LED lighting kit installed on a bus shelter in Montebello, California.

“First - thanks for the great service that your company provided to Boulder City last year. The LED taxiway lights that we ordered have performed even beyond our expectations! So much so, that we would like to order more!...We look forward to eventually converting most lights over to the solar LEDs.”

Director, Community Development Dept.

City of Boulder City

Boulder City, Nevada, USA

01 March 2006



3.



The Year In Review



Art Aylesworth
CEO and Director

For Carmanah, 2005 was a year of major growth. Organically, our core Solar LED Lighting and LED Sign Groups made great strides and, in July, we made the strategic acquisition of Soltek Powersource Ltd., Canada's leading supplier of solar power systems and equipment. As the "first mover" in virtually all of our target markets, we continued to see increased product acceptance and market penetration.

With the significant number of installations Carmanah now has in place around the world, our customers are developing a greater understanding of the cost and performance benefits of our technologies, as well as a growing confidence in their reliability. Through our experience in the markets we serve, our Company also continues to gain a deeper awareness of our customers' unique requirements, and in 2005 we continued to develop and release new and exciting products to address the resulting opportunities.

Through the acquisition of Soltek, we expanded our product offerings to include practical solar power system solutions for customers in a broad range of government and industrial markets, including oil and gas, telecommunications, security, mobile systems and grid-tie installations. When combined with our original Solar LED Lighting and LED Signage Groups, Carmanah's new Solar Power Systems Group establishes the Company as a significant global player in the solar power industry with more opportunities than ever before.

The current growth in worldwide demand for alternative and energy-efficient energy technologies is remarkable by any measure. The industry and its companies are being challenged to expand and innovate at a rate that has never

been seen in this sector. Rarely is it that consumer demand emerges so fast that the supply chain struggles to keep pace. Seldom do environmental concerns, economic reality and "political will" also align to facilitate real change. At Carmanah, we have the good fortune of being right in the middle of this "perfect storm".

Carmanah has spent the past eight years perfecting the integration of solar energy and efficient, ultra-bright LEDs to provide a wide range of autonomous lighting solutions for the most demanding applications in the world. We have invested the time and manpower to fully understand the inherent benefits of intelligent energy management systems and rugged designs. We have also focused on "productizing" our technology to offer simpler, off-the-shelf solutions, which appeal to a wide range of customers. We now make products that are smaller and yet more powerful than anything else on the market. These products are also less expensive to purchase and yet offer longer life and greatly-reduced maintenance cycles. Through our three operating technology groups (Solar LED Lighting Group, Solar Power Systems Group and LED Sign Group), we sell products around the world and in almost every market imaginable... and we're just getting started.

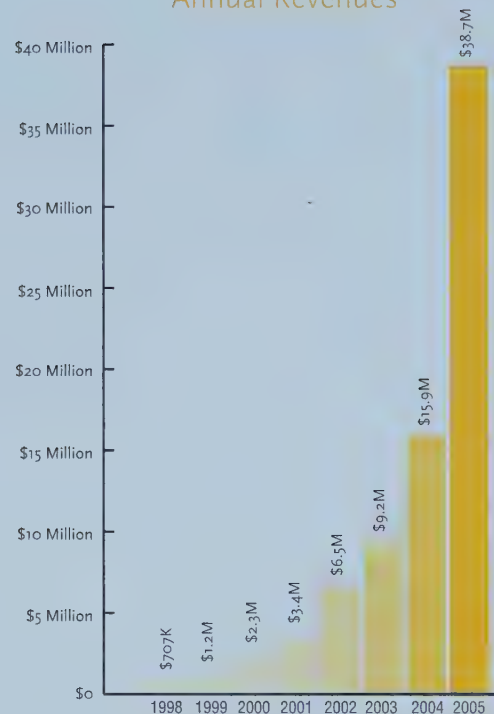
The acquisition of Soltek has put Carmanah in the center of the burgeoning global solar industry. This industry is expected to continue its growth in demand and opportunity at an unprecedented rate. Obviously, our expansion into the solar power systems sector positively affects our revenues, but more importantly, it gives us a much broader audience to sell to and a much wider range of products into which we can build our world-leading energy management systems (EMS) and “productized” approach to providing solutions.

There are many ways that the Soltek acquisition will bring value to Carmanah beyond the price we paid and none more obvious than the caliber of people that became Carmanah employees through this deal. From the engineering and production line staff to the administrative and accounting groups, we feel very fortunate and proud. The sales and marketing group, both Canadian and US-based, are young but seasoned professionals in an industry that is screaming for experienced staff. The additions that we’ve made to our senior management team have also been exceptional in that not only are they capable managers and leaders but they also come with extensive expertise in the sector in which we compete. Overall, a strong company just got stronger.

The integration process is going very well, and the bringing together of two similar-sized companies is nearing completion. Carmanah experienced the inevitable extraordinary and non-recurring operating expenses in the last half of 2005, but expects to see all business process and physical integration completed by mid-Q2 of 2006.

As explained at the time of this deal, the complimentary skills of the two companies will lead to some very interesting and rewarding product developments. We are pleased to say that Carmanah will be introducing a series of “general illumination” products and “solar engines”. Exciting products indeed, and there will be more in the months ahead.

Annual Revenues

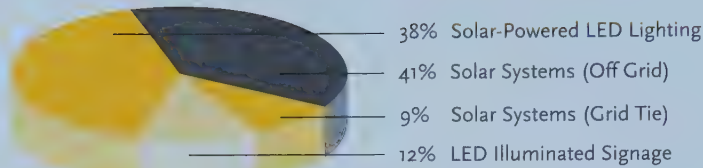


Revenues and Growth

As stated earlier, acquisitions aside, Carmanah is and will continue to be a growth company. 2005 was another very good year for organic growth as we enjoyed continued sales success in all targeted markets. Our Solar LED Lighting Group was up approximately 38% from the revenues of 2004 while our LED Sign Group saw their revenues grow by 83% year over year. And, although we only acquired the Solar Power Systems Group in July, its performance too was up by approximately 50% from the previous year. All three groups have the potential to continue to grow as the addressable market for each of them is many times larger than current revenues. With the rise in demand for Carmanah’s technologies and the breadth of markets we sell into, we feel very confident about our growth prospects going forward.

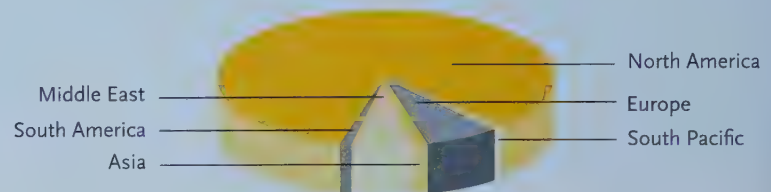
Each of these groups generate different gross margins and each of them offers a unique ability to deliver net profits. Any one group has the potential to provide exceptional growth in any one quarter and therefore, our consolidated margins are expected to vary more from quarter to quarter. However, Management will continue to optimize gross margins and will continually track the progress of each group to ensure correct trending. We will also never lose sight of the fact that, in the end, it is net profits that offer the clearest measure of any particular business unit.

Distribution of different markets



Geographic 2005

For geographical reporting, revenues are attributed to the geographic location in which the customer is located as follows:



Facilities

The past year was not only busy in terms of organic growth and a major acquisition, Carmanah also undertook significant enhancements or relocations at virtually all of our facilities globally. To serve the increased business in the UK and Europe, we have set up a small but capable sales/distribution/assembly/service centre near London, England. Our operations in Santa Cruz, California were relocated to accommodate our rapid growth and provide increased distribution and warehousing in the US. Carmanah has two facilities in Calgary, Canada, which are also being expanded to allow more assembly and warehousing. And finally, the headquarters in Victoria, Canada is being similarly changed. The prime manufacturing and warehousing facilities were overdue to be upgraded and have now been relocated to a modern plant with the capacity to carry us into the future with greatly increased throughput, efficiency, opportunities for cost reduction, and continued enhancement of quality control.

The original offices in Victoria will also be renovated in 2006 to accommodate the integration of all sales, marketing, engineering, accounting and administration staff from Soltek. 2005 was a very busy year made even busier with so much facilities focus, but it was time and energy well invested as we poise ourselves for the next level of growth.

The Future

Every once in a while, the world enters a new era where technology and demand for solutions converge. We are in such a time now and Carmanah is well-positioned to grow beyond any of the projections contemplated when we began some ten years ago. Our Company continues to gain traction in all aspects of its business plan as a result of very good timing and the genuine demand for renewable and energy-efficient solutions across a growing number of markets.

The problems facing the world today in terms of energy requirements and climate change will not go away. There are an inadequate number of companies currently providing real solutions and as a result, those that do will prosper. Carmanah is built around energy-efficient technologies and practical solutions. We have momentum. We are building a global brand. And we are enjoying a tremendous tailwind as we pursue our vision.

Art Aylesworth
C.E.O. and Director
April 15, 2006

“ Seattle averages only 96 sunny days per year, but King County Metro Transit believes that’s enough to light 43 downtown bus shelters with solar power through even the gloomiest winters. ‘This is a form of environmentally friendly power, and it makes sense for us to support something like that,’ said Dale Cummings, senior transit planner for Metro Transit.”

*From “Bus Shelter Lights Fueled By Sun” By Carina Stanton
Seattle Times 28 June 2005*

- Referencing Carmanah’s i-SHELTER™ installation by King County Metro Transit in Seattle, WA



4.

Board of Directors



Dr. David R. Green, Ph.D., B.Eng.

Chair of the Board, Carmanah Technologies Corp.

Dr. Green is the founder of Carmanah Technologies Corp. He has an engineering physics degree from the Royal Military College, Kingston, Ontario and a Ph.D. from the University of British Columbia.

Dr. Green is a professional engineer with 25 years of management experience, mostly in the founding and operation of high technology companies. Dr. Green has founded or was a founding member of the following:

Carmanah Technologies – 1998

Solar-Powered LED Lighting

NxtPhase Corporation – 1997

Optical High Voltage Equipment

Carmanah Research – 1993

Geographic Information Systems

Seastar Chemicals – 1988

Ultra-Pure Chemicals

SDL Optics – 1986

Fibre-Optic Connectors

Axys Instruments – 1982

Oceanographic Instrumentation

Axys Analytical – 1980

Analytical Laboratory

Axys Environmental – 1974

Environmental Consulting

Dr. Green is an acknowledged expert in Light Emitting Diodes (LEDs). In fact, in 2001, he was contracted by the Government of Canada to develop the national specification for LED-based warning signals at road/railway grade crossings. Dr. Green is also a pioneer in the marriage of LED and solar power technologies, and is currently an inventor on five patents in this field, which form the basis of many of Carmanah's products.

Beyond his duties as the Chairman of the corporation, Dr. Green is actively involved in strategic planning, research and technology road mapping, and overall expansion and growth of the Company.

In June 2004, Dr. Green was the recipient of the ViaTec "Colin Lennox Award for Technology Champion," a lifetime achievement award recognizing the impact he has made to his regional technology sector.

Art Aylesworth

CEO, Director

As the CEO of Carmanah Technologies Corporation, Mr. Aylesworth brings over 25 years of business leadership and entrepreneurial experience, as well as a strong background in sales and marketing.

Mr. Aylesworth took leadership of Carmanah when the Company was privately held with only 12 staff and trailing revenues of 1.3M annually. He was responsible for increasing the Company's focus on sales and marketing. Mr. Aylesworth was also active in all aspects of Carmanah's transition to a

"The project is a sign that Carmanah Technologies has become a leader in the burgeoning Canadian solar market."

Toronto Star, 21 December 2005

- Referencing Carmanah's contract to build the largest solar photovoltaic installation in Canada at Toronto's Exhibition Place.

public corporation through a reverse takeover, as well as two subsequent rounds of financing.

Prior to joining Carmanah in 2000, Mr. Aylesworth was President of Sharp's Audio Visual, one of western Canada's leading audio-visual suppliers, and played a key role in the company's growth from \$4M to \$20M annually.

In addition to his leadership responsibilities at Carmanah, Mr. Aylesworth maintains the role as the company's primary public spokesperson to the investment community.

Kelly Edmison, LL.B.

Director

Kelly Edmison is currently President and Chief Executive Officer of Pender Financial Group, a merchant bank focused on the high technology and healthcare sectors. Mr. Edmison has been active in the Vancouver junior tech market for the past decade. A graduate of the University of Toronto and Queen's University, Mr. Edmison has practiced law for over 20 years. He spent his early career in Calgary and Hong Kong before joining Ladner Downs (now Borden Ladner Gervais) in 1985 where he practiced securities and commercial law until 1995. He then established his own practice focused exclusively on representing Vancouver-based junior technology companies.

During the past five years, companies represented by Mr. Edmison have closed over forty financings raising aggregate proceeds in excess of \$200M. Mr. Edmison has been a director of PCS Wireless Inc., eDispatch Wireless Data

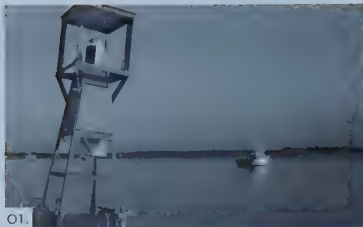
Inc. and Icon Technologies Inc. Mr. Edmison has also been Secretary of ALI Technologies Inc. and a number of high profile venture capital-financed companies including NxtPhase Corporation, Sonigistix Corporation, Synapse Technologies Inc. and Colligo Technologies Corporation.

David Egles, MSc., BSc.

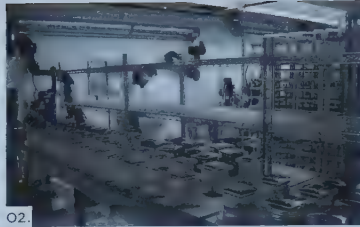
Sr. VP Business Strategy, Director

As Senior Vice President, Business Strategy for Carmanah Technologies Corporation, David Egles brings more than 25 years of experience in renewable energy markets and photovoltaic systems to the Company's leadership team. Drawing on his strong background in solar technology and product development, Mr. Egles is responsible for developing corporate opportunities and business development strategies.

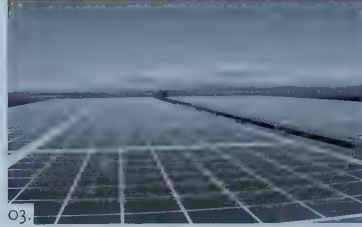
Mr. Egles founded the privately held Soltek Solar Energy Ltd. in 1986 while completing his Masters Degree. By 2000, Mr. Egles was leading a team of 25 employees and the company was earning more than \$10 million annually. In 2001, Mr. Egles merged Soltek with Powersource Energy Systems, and the newly formed Soltek Powersource Ltd. became one of North America's largest solar equipment distributors with annual revenues over \$20 million. Carmanah Technologies Corporation acquired Soltek Powersource Ltd. in July, 2005. Mr. Egles has a Bachelor of Science degree from the University of Victoria, and a Masters of Science degree in Physical Oceanography from the University of British Columbia.



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> **Trevor Johnstone, C.A., M.B.A.**

Director

Mr. Johnstone is a Chartered Accountant and holds a Masters of Business Administration from the University of California at Berkeley.

He is a founder and principal of Tricor Pacific Capital, Inc., a private equity investment firm. He participates in all aspects of Tricor's investment activity, and is an active director of each portfolio company.

Mr. Johnstone also acts as a director for a number of other public and private companies. As both a principal and advisor, he has gained experience in Canada, the United States and in international transactions. Mr. Johnstone was Chairman of Pacifica Papers Inc. during the company's billion-dollar merger with Catalyst Paper Corporation, and now sits on the board of the combined entity.

Mr. Johnstone is the Chairman of the Board of the Vancouver Coastal Health Authority, which is one of the largest healthcare authorities in Canada with an annual budget in excess of \$2 billion.

Praveen K. Varshney, C.A.

C.F.O., Director

Mr. Varshney is a chartered accountant, having obtained his C.A. designation in 1990. He has been actively involved in the capital markets since 1995, and is a director of Varshney Capital Corporation, a merchant banking, venture capital and corporate advisory firm. Mr. Varshney is also a director and officer of a number of publicly-traded companies. He obtained a Bachelor of Commerce degree from the University of British Columbia in 1987. Following

that, he was with KPMG from 1987 to 1991. He is a member and past President of the Vancouver chapter of the Young Entrepreneurs' Organization (YEO) and a founding director of the Vancouver chapter of The IndUS Entrepreneurs (TiE). Mr. Varshney also is a director of the Varshney Family Charitable Foundation, on the Sauder School of Business Faculty Advisory Board and a past recipient of Business in Vancouver's 40 Under 40 Awards.

Mark Komonoski, B.Comm.

Investor Relations, Director

From September 1993 to March 1997, Mr. Komonoski was the founder, CEO, President and Director of AVVA Light Corporation, which is now a wholly-owned subsidiary of Carmanah Technologies Corporation.

Since 1999, Mr. Komonoski has served as President of TradeMark Equity Marketing Inc., a venture capital public company development firm. He has also served as a consultant and Director for several public companies during the past five years. Currently, Mr. Komonoski is a Carmanah board member focused on Investor Relations for the Company.

Peeyush Varshney, LL.B.

Corporate Secretary

Mr. Varshney specializes in corporate/securities law and is a director of a number of public companies. He is also a director of Varshney Capital Corporation. Mr. Varshney holds Bachelor of Commerce and Bachelor of Laws degrees from the University of British Columbia.

01. Carmanah's solar-powered LED marine light installed on a Canadian Coast Guard buoy. 02. Carmanah's solar-powered LED aviation lights under construction at the Company's new production facility. 03. Carmanah's 6.0 kW grid tie system installed at the Herzberg Institute of Astrophysics in Victoria, BC.

“With their attention to customer needs they have routinely provided a product that I can feel confident with. Carmanah has gone above and beyond expectations to provide quality LED Street-Name signs and solar flashers.”

*Mark Briggs
Outside Sales Manager
Brown Traffic Products
25 February 2005*



5.

Management Discussion and Analysis of Financial Statements



Irene Schamhart
VP Finance and
Administration

Sales

Carmanah's sales for the year ended December 31, 2005 increased to \$38,729,885, representing an increase of 144% from the same period in 2004 at \$15,895,041. Contributions from each technology group were as follows:

Segmented Sales Summary:				
	Three Months Ended December 31,		Year Ended December 31,	
	2005	2004	2005	2004
Solar LED Lighting	\$5,645,037	\$2,730,016	\$18,413,057	\$13,305,702
Solar Power Systems	\$8,687,091	\$ -	\$15,580,463	\$ -
LED Sign	\$809,800	\$949,898	\$4,736,365	\$2,589,339
Totals	\$15,141,928	\$3,679,914	\$38,729,885	\$15,895,041

Carmanah's increase in revenues is attributed to ongoing organic growth as well as the contribution in Q3 and Q4 from its newly acquired Solar Power Systems Group.

Organic sales achieved for 2005 from Carmanah's Solar LED Lighting and LED Sign Groups amounted to \$23,149,422, representing a 46% increase over the same period in 2004 at \$15,895,041. Sales booked in 2005 for these two groups was in excess of \$25 million, and they ended the year with a record sales order backlog of \$3.6 million.

Sales contributions from the Company's Solar Power Systems Group amounted to \$15,580,463 for the six-month period ending December 31, 2005. This group also ended the year with a sales order backlog of \$1.1 million.

Cost of Sales and Gross Profit Margin

Carmanah's cost of sales for the year ended December 31, 2005 was \$24,311,146 (63% of sales), resulting in a gross profit margin of 37%. In comparison, for the year ended December 31, 2004, the cost of sales was \$7,655,700 (48% of revenue), resulting in a gross profit margin of 52%. The shift in Carmanah's cost of sales and gross margin is primarily due to the sales contribution by its Solar Power Systems Group during the last half of the fiscal year (\$15,580,463 at 27% gross margin).

Carmanah offers a wide array of product solutions to a variety of market sectors at various gross profit margins. The gross profit margin is significantly affected by the ratio of sales contributed by the various technological groups, by the product mix sold, as well as the related market sector. Management is focused on the continual improvement of gross margins in all sectors.

“Solar-powered LED lighting produced in Victoria is lighting up key transportation routes on the U.S. Gulf Coast left dark by Hurricane Katrina. Orders for more than 500 of Carmanah Technologies' marine, railway and aviation lights were received during the week following Katrina... “We were able to get the first order out to the coast guard within four to five hours,” said Mimi Drabit.”

From “Gulf Coast Desperate for Victoria-made LED Lights in Wake of Hurricane Katrina”

By Peter Wilson, Vancouver Sun, 13 September 2005

Wages and Benefits

For the year ended December 31, 2005, wages and benefits were \$6,843,164 compared with \$3,509,101 for the same period in 2004. This increase is the result of:

- \$1,835,232 in additional wage expense resulting from the acquisition of the Solar Power Systems Group;
- \$326,944 in additional commissions due to increase in sales;
- \$322,018 increased wages costs resulting from the expansion into the UK in late 2005;
- An increase in marketing, finance and administrative staff in support of overall sales growth; and
- An increase in senior staffing to provide more strength and support across the Company's executive and middle management teams.

As a percentage of sales, total wages and benefits for the year ended December 31, 2005 were 18%, down from 22% for the same period in 2004.

Office and Administration

Office and administration expenses for the year ended December 31, 2005, were \$2,786,675, representing a 96% increase over same period in 2004 of \$1,423,744. The acquisition of the Solar Power Systems Group contributed to 51% of this increase, with the addition of \$690,037 in office and administration expenses. Other contributors to the increase in 2005 were primarily overall growth in facilities and related resources:

- In late 2004, Carmanah opened an office in London, England, to support the Company's UK and European operations;
- In early 2005, Carmanah expanded its existing Victoria facility to include an additional 6,000 square feet for LED-illuminated roadway sign manufacturing;
- In September, 2005, Carmanah entered a lease to commence build out for a new 25,000 square foot manufacturing and warehouse facility; and
- In late 2005, Carmanah expanded its Santa Cruz, CA, warehouse facility to support its US operations.

Carmanah's facility expansions have increased rent, general office, administration and information technology expenses. However, as a percentage of sales, office and administration expenses for the year ended December 31, 2005 were 7%, down from 9% for the same period in 2004.

Sales and Marketing

Sales and marketing expenses for the year ended December 31, 2005, were \$1,775,099, representing a 32% increase over the same period in 2004 of \$1,341,112. Carmanah continued to increase sales and marketing activities for new and existing product lines throughout its worldwide marketplace, and is expanding its sales and marketing efforts to include the Power Systems Group's customers and verticals.

Sales and marketing expenses for the year ended December 31, 2005 were 5% of total sales, down from 8% for the same period 2004.

Research and Development

For the year ended December 31, 2005, research and development expenses were \$903,723 (net of \$620,935 SR&ED investment tax credits), compared with \$959,842 (net of \$316,000 SR&ED investment tax credits and \$71,223 government grant) in the previous year. The SR&ED investment tax credits were the result of credits generated from scientific research and experimental development expenses, and recoverable as an offset to income taxes payable on taxable income. Carmanah's growth in research and development was the result of increased investment in new product offerings and existing product enhancements.

As a percentage of sales, gross research and development expenses (before investment tax credits and grants) were 4% in 2005, compared with 8% in 2004.

Income Tax

Income tax expense for the year ended December 31, 2005 totals \$575,646. This amount is comprised of current tax expense of \$1,021,372 and future income tax recovery of \$445,726. The current tax expense relates to taxable income generated by Carmanah in the normal course of operations. Current tax expense as a percentage of pre-tax earnings is high, as Carmanah chose to postpone certain tax deductions to use investment tax credits that offset taxes otherwise payable. The future income tax recovery of \$445,726 recognizes the availability of future tax deductions and was increased by \$333,000 as a result of a reduction of the valuation allowance against future tax assets. The reduction of the valuation allowance recognizes the benefit of future income tax assets on past tax losses, based on the expectation of future taxable income.

Earnings

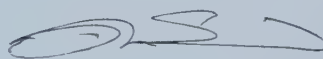
Earnings before interest, taxes and amortization ("EBITA") were \$1,981,573 for the year ended December 31, 2005, representing an increase of 92% over the same period in 2004 at \$1,034,434. Earnings before income tax were \$1,256,608, compared with \$592,937 in 2004, representing an increase of 112%. Net earnings were \$680,962 in 2005, compared to \$592,823 in 2004, representing an increase of 15%.

Balance Sheet Highlights

Carmanah's cash, cash equivalents, and short-term investments at December 31, 2005 were \$11,662,214, compared to \$7,751,411 at December 31, 2004. Net cash usage from operations was \$3,751,295 for the year ended December 31, 2005.

Carmanah invested \$5,559,897 in the purchase of Soltek, \$1,432,936 in the purchase of equipment, leasehold improvements and intangibles, and increased investments by \$2,930,000. Including the Soltek acquisition, financing for operational and investing activities for the year was raised by (1) the exercise of warrants and stock options in the amount of \$4,180,446, (2) the issuance of shares to former shareholders of Soltek and (3) a private placement financing of common shares for net proceeds of \$14,179,349.

Net working capital as at December 31, 2005 was \$26,332,325 with a current ratio of 5.6:1 and \$14,991 of non-current lease obligations.



Irene Schamhart
VP Finance and Administration
April 15, 2006



Praveen Varshney
CFO and Director
April 15, 2006

Cautionary Note on Forward-Looking Information

This annual report contains forward-looking statements within the meaning of the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties are described under the caption "Note Regarding Forward-looking Statements" and "Key Information - Risk Factors" and elsewhere in Carmanah's Annual Report for the fiscal year ended December 31, 2004, as filed with the U.S. Securities and Exchange Commission and which are incorporated herein by reference. Carmanah does not assume any obligation to update the forward-looking information contained in this annual report.

6.

Auditors' Report to the Shareholders



We have audited the consolidated balance sheets of Carmanah Technologies Corporation as at December 31, 2005 and 2004 and the consolidated statements of operations and retained earnings (deficit) and cash flows for each of the years in the three-year period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2005 in accordance with Canadian generally accepted accounting principles.

KPMG
LLP

Chartered Accountants

Victoria, Canada

February 28, 2006

CARMANAH TECHNOLOGIES CORPORATION

Consolidated Balance Sheets


(Expressed in Canadian dollars)

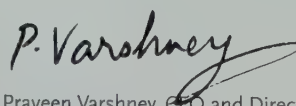
Years ended December 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,882,214	\$ 901,411
Short-term investments	9,780,000	6,850,000
Accounts receivable, net	8,675,270	2,385,728
Inventories (note 3)	11,012,640	2,758,250
Receivable from forward foreign exchange contracts (note 13(b))	-	1,834,350
Prepaid expenses and deposits	705,073	271,337
	32,055,197	15,001,076
Equipment and leasehold improvements, net (note 4)	2,096,254	1,072,434
Intangible assets, net (note 5)	1,325,055	170,484
Goodwill	12,330,543	3,072,173
Future income taxes (note 6)	985,500	550,000
	\$ 48,792,549	\$ 19,866,167
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,268,246	\$ 1,327,693
Payable under forward foreign exchange contracts (note 13(b))	-	1,803,300
Deferred revenue	-	45,421
Income taxes payable	434,636	-
Future income taxes	-	44,000
Current portion of obligations under capital leases	19,990	21,573
	5,722,872	3,241,987
Obligations under capital leases (note 8)	14,991	13,755
Obligation to former shareholders of SPS to be settled in shares (note 2)	2,631,580	-
	8,369,443	3,255,742
Shareholders' equity:		
Share capital (note 9)	38,772,138	16,322,119
Contributed surplus (note 9(e))	1,292,390	610,690
Retained earnings (deficit)	358,578	(322,384)
	40,423,106	16,610,425
Commitments (note 14)		
	\$ 48,792,549	\$ 19,866,167

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 Director
Art Aylesworth, CEO and Director

 Director
Praveen Varshney, CFO and Director

CARMANAH TECHNOLOGIES CORPORATION

Consolidated Statements of Operations and Retained Earnings (Deficit)

(Expressed in Canadian dollars)

Years ended December 31, 2005, 2004 and 2003

	2005	2004	2003
Sales	\$ 38,729,885	\$ 15,895,041	\$ 9,220,018
Cost of sales	24,311,146	7,655,700	4,455,250
	14,418,739	8,239,341	4,764,768
Operating expenses:			
Wages and benefits	6,843,164	3,509,101	2,095,609
Office and administration	2,786,675	1,423,744	844,706
Sales and marketing	1,775,099	1,341,112	753,360
Research and development (note 11)	903,723	959,842	787,309
Bank charges	286,273	97,531	91,537
Amortization of:			
Equipment and leasehold improvements	575,355	400,439	209,416
Intangible assets	149,610	41,063	20,270
	13,319,899	7,772,832	4,802,207
Operating income (loss)	1,098,840	466,509	(37,439)
Other income:			
Interest and other income	157,768	126,428	30,954
Write-down of advances receivable	-	-	(111,502)
	157,768	126,428	(80,548)
Earnings (loss) before income taxes	1,256,608	592,937	(117,987)
Income tax expense (recovery) (note 6):			
Current	1,021,372	316,000	-
Future	(445,726)	(315,886)	8,407
	575,646	114	8,407
Net earnings (loss) for the year	680,962	592,823	(126,394)
Deficit, beginning of year	(322,384)	(915,207)	(788,813)
Retained earnings (deficit), end of year	\$ 358,578	\$ (322,384)	\$ (915,207)
Earnings (loss) per share:			
Basic	\$ 0.020	\$ 0.020	\$ (0.006)
Diluted	0.019	0.018	(0.006)
Weighted average number of shares outstanding:			
Basic	34,187,205	30,116,949	22,826,155
Diluted	35,598,555	32,055,307	22,826,155

See accompanying notes to consolidated financial statements.

CARMANAH TECHNOLOGIES CORPORATION

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

For the years ended December 31, 2005, 2004 and 2003

Cash provided by (used in):	2005	2004	2003
Operations:			
Net earnings (loss) for the year	\$ 680,962	\$ 592,823	\$ (126,394)
Items not involving cash:			
Amortization	724,965	441,502	229,686
Loss on disposal of capital assets	—	2,727	—
Write-down of advances receivable	—	—	111,502
Stock-based compensation (note 9(c))	435,757	319,035	176,525
Future income taxes (recovery)	(445,726)	(315,886)	8,407
Net changes in non-cash working capital (note 15)	(5,147,253)	(1,137,010)	(1,003,974)
	(3,751,295)	(96,809)	(604,248)
Investing:			
Short-term investments	(2,930,000)	(6,850,000)	—
Purchase of SPS, net of cash acquired	(5,559,897)	—	—
Purchase of equipment and leasehold improvements	(1,389,941)	(603,917)	(304,379)
Purchase of intangible assets	(42,995)	(21,227)	(9,172)
Purchase of AVVA, net of cash acquired	—	—	(59,467)
Repayments of advances receivable	—	—	28,500
	(9,922,833)	(7,475,144)	(344,518)
Financing:			
Proceeds on share issuance	19,125,082	7,813,684	2,075,029
Share issuance costs	(1,200,651)	(503,153)	(177,282)
Repayment of assumed bank indebtedness and loans on acquisition of SPS (note 2)	(3,239,794)	(383,332)	116,147
Repayment of long-term debt	—	(55,139)	(21,684)
Principal payments of obligations under capital leases	(29,706)	(91,765)	(29,475)
	14,654,931	6,780,295	1,962,735
Increase (decrease) in cash and cash equivalents	980,803	(791,658)	1,013,969
Cash and cash equivalents, beginning of year	901,411	1,693,069	679,100
Cash and cash equivalents, end of year	\$ 1,882,214	\$ 901,411	\$ 1,693,069
Supplemental cash flow information:			
Cash during the year for:			
Bank charges and interest paid	\$ 286,273	\$ 97,531	\$ 188,632
Income taxes paid	390,430	—	—
Non-cash investing and financing activities:			
Shares/stock options issued for services:			
Share issue costs	—	138,200	38,198
Acquisition of SPS (note 2):			
Shares issued	4,090,224	—	—
Obligation to issue shares	2,631,580	—	—
Warrants issued	301,606	—	—
Shares issued on exercise of stock options and broker warrants	27,917	225,066	93,377
Shares, options and warrants issued to acquire non-cash assets of AVVA Technologies Inc.	—	—	3,873,371

See accompanying notes to consolidated financial statements.

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

Carmanah Technologies Corporation (the "Company" or "CTC") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on March 26, 1996. On June 21, 2002, the Company acquired all the issued and outstanding share capital of Carmanah Technologies Inc. ("CTI"). CTI is in the business of developing and manufacturing solar-powered LED (light emitting diode) lighting solutions and the sale of related products.

On October 1, 2003, the Company acquired all the issued and outstanding share capital, stock options and warrants of AVVA Technologies Inc. ("AVVA"). AVVA's operating subsidiary, Carmanah Signs Inc. ("CSI") (formerly AVVA Light Corporation), is in the business of designing, manufacturing and distributing energy efficient, illuminated sign products for corporate identity, point-of-purchase sales, and architectural and signage applications.

On July 1, 2005, the Company acquired all the issued and outstanding share capital of Soltek Powersource Ltd. ("SPS"), a leading designer, manufacturer and supplier of renewable energy solutions.

1. Significant accounting policies:

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies used in the preparation of the consolidated financial statements.

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, CTI, AVVA, CSI and SPS. All significant inter-company transactions and balances have been eliminated.

(b) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments, consisting primarily of term deposits, with terms to maturity of three months or less at the date of purchase.

(c) Short-term investments:

Short-term investments are marketable securities that will be realized beyond three months but are recorded at the lower of cost and market.

(d) Inventories:

Inventories are valued on a first-in, first-out basis at the lower of average cost and replacement cost for raw materials and at the lower of cost and net realizable value for work-in-process and finished goods. Inventories are recorded net of any obsolescence provisions.

(e) Equipment and leasehold improvements:

Equipment and leasehold improvements are carried at cost less accumulated amortization. Amortization is determined at rates which will reduce original cost to estimated residual value over the useful life of each asset. The annual rates used to compute amortization are as follows:

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

1. Significant accounting policies (continued):

(e) Equipment and leasehold improvements (continued):

Asset	Basis	Rate
Computer hardware	declining balance	30%
Computer software	declining balance	50%
Leasehold improvements	straight-line	term of lease
Office, production and research equipment	declining balance	20%
Tradeshow equipment	declining balance	20%

The cost of repairs and maintenance is expensed as incurred.

(f) Intangible assets:

Intangible assets are amortized over their estimated useful lives, which vary from three months to six and a half years.

(g) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Company's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of reporting unit goodwill exceeds its implied fair value, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statements of operations and retained earnings (deficit) before extraordinary items and discontinued operations.

All goodwill is assigned to the combined CTI, CSI and SPS reporting unit. The Company completed its annual impairment test on December 31, 2005 and determined that no impairment charge was required.

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

1. Significant accounting policies (continued):

(h) Revenue recognition:

Revenue from the sale of products is recognized at the time the product is shipped and title passes, persuasive evidence exists of a sales arrangement, collection is probable and the price is fixed or determinable. If there is a requirement for customer acceptance of any products shipped, revenue is recognized only after customer acceptance has been received. Payments received in advance of the satisfaction of the Company's revenue recognition policies are recorded as deferred revenue.

Provisions are established for estimated product returns and warranty costs at the time revenue is recognized based on historical experience for the product. If the historical data the Company uses to estimate product returns does not properly reflect future returns, these estimates could be revised. Future returns, if they were higher than estimated, would result in a reduction of revenues.

(i) Research and development:

Research costs are expensed as incurred. Development costs are expensed as incurred unless certain stringent criteria for deferral, as specified by the Canadian Institute of Chartered Accountants, have been met. These criteria primarily relate to the establishment of technical feasibility, identification of specified markets, and availability of adequate resources to complete the project under development. Costs of product development, net of any applicable research and development tax credits, are capitalized until project completion or commencement of commercial sales of the product. Costs are then amortized over the estimated period of future benefit.

(j) Earnings (loss) per share:

The Company calculates basic earnings (loss) per share using the weighted average number of common shares outstanding during the period excluding escrowed shares for which the release is subject to the satisfaction of performance criteria. Diluted net earnings (loss) per share are calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

(k) Stock-based compensation:

The Company has a stock-based compensation plan which is described in note 9(c). The Company accounts for all stock-based payments and awards under the fair value method.

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

1. Significant accounting policies (continued):

(k) Stock-based compensation (continued):

Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

Under the fair value based method, compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period. Compensation cost attributable to awards to employees that call for settlement in cash or other assets is measured at intrinsic value and recognized over the vesting period. Changes in intrinsic value between the grant date and the measurement date result in a change in the measure of compensation cost. Compensation cost is generally recognized on a straight-line basis over the vesting period. The Company accounts for the fair value of the granted options on the consolidated statements of operations and retained earnings (deficit) and is included in the determination of income.

During the period, the Company granted stock options to directors, officers and employees as set out in note 9(c).

(l) Future income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of future changes in tax rates is recognized in income in the period that included the date of substantive enactment. To the extent that it is not more likely than not that a future tax asset will be realized, a valuation allowance is provided.

(m) Foreign currency transactions:

The Company's functional currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Non-monetary items are translated at rates of exchange in effect when the amounts were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are recognized in the determination of net earnings (loss) in the year in which they arise.

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

1. Significant accounting policies (continued):

(n) Derivative financial instruments:

The Company uses certain derivative financial instruments, principally forward foreign exchange contracts, to manage foreign currency exposures on export sales. Derivative financial instruments are not accounted for as hedges. The realized and unrealized gains and losses are recognized in the operating income of the Company. Fair values are determined using current market rates for the settlement of the derivative instruments.

(o) Measurement uncertainty:

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include the estimation of warranty provisions, amortization periods of intangible assets, valuation of stock compensation, and the estimation of future income tax asset valuation allowances. Actual results could differ from those estimates.

(p) Impairment of long-lived assets:

The Company monitors the recoverability of long-lived assets, including equipment and leasehold improvements, and intangible assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company reviews factors such as current market value, future asset utilization and business climate and compares the carrying value of the assets to the future undiscounted cash flows expected to result from the use of the related asset. If such cash flows are less than the carrying value, the impairment charge to be recognized equals the excess.

(q) Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

2. Acquisition of Soltek Powersource Ltd.:

On July 1, 2005, the Company acquired all the issued and outstanding share capital of Soltek Powersource Ltd. ("SPS"), a leading designer, manufacturer and supplier of renewable energy solutions. The acquisition has been accounted for using the purchase method and the results of SPS's operations have been included in the consolidated financial statements since that date. SPS also offers a range of proprietary solar power and alternative energy systems used by commercial, government and private customers worldwide. The aggregate purchase price including contingent consideration was \$13,224,272, comprised initially of \$6,000,000 paid in cash from existing funds, \$4,090,224 equivalent in common shares and \$200,862 in acquisition costs. Additional contingent consideration to the principal vendors of 751,876 common shares valued at \$2,631,580 and 300,000 warrants valued at \$301,606 is payable since SPS attained specified revenue targets and had earnings before interest, taxes and amortization in excess of 5.5% of revenue for the six month period ending December 31, 2005. The warrants have an exercise price of \$2.79 (being the weighted average trading price on June 30, 2005). The shares issued to the principal vendors will be held in a pooling agreement providing for the pro rata release of the shares over a two year period after closing.

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

2. Acquisition of Soltek Powersource Ltd. (continued):

The following table summarizes the fair value of the assets acquired and the liabilities assumed at the date of acquisition.

Assets:

Cash	\$	640,965
Accounts receivable		4,978,646
Inventories		4,142,308
Prepaid expenses		42,279
Equipment and leasehold improvements		210,855
Intangible assets (customer relationships)		1,261,363
Goodwill		9,258,370
		<hr/> 20,534,786

Liabilities:

Bank indebtedness		243,341
Accounts payable and accrued liabilities		3,091,879
Capital lease obligation		29,359
Deferred revenue		177,129
Demand loan		2,996,453
Future income tax liability		347,724
Income taxes payable		424,629
		<hr/> 7,310,514

Total consideration	\$	13,224,272
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Goodwill is not expected to be deductible for tax purposes.

3. Inventories:

	2005	2004
Raw materials	\$ 3,332,344	\$ 2,101,277
Work-in-process	178,530	165,218
Finished goods	7,501,766	491,755
	<hr/>	<hr/>
	\$ 11,012,640	\$ 2,758,250

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

4. Equipment and leasehold improvements:

2005	Cost	Accumulated amortization	Net book value
Computer hardware	\$ 685,415	\$ 282,104	\$ 403,311
Computer software	579,564	445,776	133,788
Leasehold improvements	928,134	341,698	586,436
Office equipment	364,253	66,666	297,587
Production equipment	733,064	241,049	492,015
Research equipment	223,117	75,320	147,797
Tradeshow equipment	39,180	3,860	35,320
	\$ 3,552,727	\$ 1,456,473	\$ 2,096,254

2004	Cost	Accumulated amortization	Net book value
Computer hardware	\$ 425,227	\$ 214,324	\$ 210,903
Computer software	361,987	263,578	98,409
Leasehold improvements	488,250	245,067	243,183
Office equipment	173,833	57,539	116,294
Production equipment	425,615	143,057	282,558
Research equipment	166,531	45,444	121,087
	\$ 2,041,443	\$ 969,009	\$ 1,072,434

Equipment and leasehold improvements include \$223,369 (December 31, 2004 - \$245,065) of equipment acquired under capital leases. During the year ended December 31, 2005, amortization of equipment under capital lease of \$20,047 (2004 - \$110,555; 2003 - \$48,336) is included in amortization expense.

5. Intangible assets:

2005	Cost	Accumulated amortization	Net book value
Customer relationships	\$ 1,411,363	\$ 164,528	\$ 1,246,835
Patents and trademarks and other	157,561	79,341	78,220
	\$ 1,568,924	\$ 243,869	\$ 1,325,055

2004	Cost	Accumulated amortization	Net book value
Customer relationships	\$ 150,000	\$ 37,500	\$ 112,500
Patents and trademarks and other	114,266	56,282	57,984
	\$ 264,266	\$ 93,782	\$ 170,484

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

6. Income taxes:

Income tax recovery (expense) differs from the amounts computed by applying the combined federal and provincial tax rates of 34.87% (2004 - 35.62%; 2003 - 37.6%) to pre-tax income from continuing operations as a result of the following:

	2005	2004	2003
Earnings (loss) before income taxes	\$ 1,256,608	\$ 592,937	\$ (117,987)
Computed expected tax expense (recovery)	\$ 438,179	\$ 211,200	\$ (44,363)
Non-deductible expenses	181,702	112,000	60,232
Expiry of loss carryforwards	39,620	—	—
Change in tax rate	56,251	—	—
Other	192,894	42,914	(7,462)
Increase (decrease) in income tax valuation allowance	(333,000)	(366,000)	67,000
Tax effect of loss carryforwards not previously recognized	—	—	(67,000)
Income tax expense	\$ 575,646	\$ 114	\$ 8,407

Temporary differences give rise to the following future tax assets and liabilities at December 31:

	2005	2004
Future tax assets:		
Warranty reserve	\$ 62,000	\$ 26,000
Share issue costs	452,000	318,000
Losses available for future periods	555,500	673,000
Scientific research and experimental development	405,000	—
Equipment	475,000	400,000
Other	62,000	14,000
	2,011,500	1,431,000
Future tax liabilities:		
Investment tax credits	(136,000)	(70,000)
Intangible assets	(393,000)	(25,000)
	(529,000)	(95,000)
Less valuation allowance	(497,000)	(830,000)
Net future tax assets	\$ 985,500	\$ 506,000

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

6. Income taxes (continued):

	2005	2004
Future income tax assets	\$ 985,500	\$ 550,000
Future income tax liabilities	—	(44,000)
Net future tax assets	\$ 985,500	\$ 506,000

The valuation allowance for future tax assets as at December 31, 2005 and December 31, 2004 was \$497,000 and \$830,000 respectively. The net change in the total valuation allowance for the years ended December 31, 2005 and December 31, 2004 was a decrease of \$333,000 and \$366,000 respectively. The tax benefit of the decrease in valuation allowance was allocated to income from operations. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences and unused tax losses are available for deduction.

As at December 31, 2005, the Company has non-capital loss carryforwards of \$1,600,000 available to reduce taxable income otherwise calculated in future years. These losses will expire as follows:

Non-capital losses

2006	\$ 200,000
2007	200,000
2008	200,000
2009	200,000
2010	400,000
2011	200,000
2015	200,000
	\$ 1,600,000

7. Credit facilities:

The Company, through its subsidiaries, CTI, CSI and SPS, has credit facilities with the Royal Bank of Canada, which include demand operating loans and revolving term loans to a combined maximum of \$9,800,000 (2004 - \$1,050,000). Interest on operating and term loan facilities range from prime plus 0.125% to prime plus 0.5% (2004 - 0.75%). These credit facilities are secured by general security agreements and guarantees by the former shareholders of SPS.

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

8. Obligations under capital leases:

The Company leases equipment and automobiles under lease agreements classified as capital leases. The future minimum annual lease payments are repayable as follows:

	2005	2004
2005	\$ —	\$ 23,568
2006	22,226	14,017
2007	14,516	2,119
2008	1,505	—
	38,247	39,704
Less amounts representing interest at 0% to 10.75%	3,266	4,376
Present value of capital lease obligations	34,981	35,328
Less current portion	19,990	21,573
	\$ 14,991	\$ 13,755

Interest expense incurred during the period on capital leases amounted to \$1,729 (2004 - \$4,976). Automotive leases are non-interest bearing.

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

9. Share capital:

(a) Authorized:

Unlimited number of common shares without par value

(b) Issued and outstanding:

	Number of common shares		Amount
Balance, December 31, 2002	20,652,710	\$	3,256,366
Private placement	2,000,000		1,480,000
Exercise of brokers' warrants	220,160		165,120
Exercise of warrants	68,720		65,284
Exercise of options	486,667		458,002
Issue of shares on acquisition of AVVA	3,055,477		3,715,460
Less share issuance costs	—		(215,480)
Balance, December 31, 2003	26,483,734		8,924,722
Private placement	3,484,848		5,749,999
Exercise of brokers' warrants	267,646		681,580
Exercise of warrants	185,827		341,836
Exercise of options	1,493,254		1,265,335
Less share issuance costs	—		(641,353)
Balance, December 31, 2004	31,915,309		16,322,119
Exercise of brokers' warrants	80,838		185,074
Exercise of warrants	1,604,674		3,470,835
Exercise of options	680,975		524,537
Shares issued on acquisition of Soltek Powersource Ltd.	1,503,756		4,090,224
Shares issued pursuant to private placement	4,687,500		15,000,000
Less share issuance costs, net of tax benefits	—		(820,651)
Balance, December 31, 2005	40,473,052	\$	38,772,138

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

9. Share capital (continued):

(b) Issued and outstanding (continued):

During the year ended December 31, 2005, the Company entered into an agreement with a syndicate of underwriters, led by GMP Securities Ltd. and including Canaccord Capital Corporation and Sprott Securities Inc., for a "bought-deal" private placement financing of common shares for gross proceeds of \$15,000,000. The underwriters' cash commission of 6% of the gross proceeds of the financing and other related share issuance costs totaled \$1,200,651, less related tax benefits of \$380,000 for net share issuance costs of \$820,651.

During the year ended December 31, 2005, 1,604,674 warrants were exercised at a price of \$2.15 per common share and 1,604,674 common shares were issued for gross proceeds of \$3,450,049. In addition, a reallocation of \$20,786 from contributed surplus to share capital was recorded on the exercise of these warrants.

During the year ended December 31, 2005, 80,838 brokers' warrants were exercised at a price of \$2.15 per common share and 80,838 common shares were issued for gross proceeds of \$173,802. In addition, a reallocation of \$11,272 from contributed surplus to share capital was recorded on the exercise of these warrants.

During the year ended December 31, 2005, 680,975 common shares were issued for gross proceeds of \$500,932 on exercise of options. In addition, a reallocation of \$23,605 from contributed surplus to share capital was recorded on the exercise of these options.

During the year ended December 31, 2005, the Company issued 1,503,756 shares at a deemed price of \$2.72 per share in connection with the acquisition of Soltek Powersource Ltd. (note 2).

During the year ended December 31, 2004, the Company completed a brokered private placement of 3,484,848 units at \$1.65 per unit for gross proceeds of \$5,749,999. Each unit consists of one common share and one half (1/2) of one common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share at an exercise price of \$2.15 per common share for a period of 18 months expiring August 19, 2005.

The agent received a cash commission of 7% of the gross proceeds of the financing and 348,484 agent's warrants exercisable at a price of \$2.15 per share for a period of 18 months expiring August 19, 2005.

During the year ended December 31, 2004, 267,646 brokers' warrants were exercised at a price of \$2.15 per common share and 267,646 common shares were issued for gross proceeds of \$575,439.

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

9. Share capital (continued):

(b) Issued and outstanding (continued):

During the year ended December 31, 2004, 48,077 warrants and 137,750 warrants were exercised at a price of \$0.95 per common share and \$2.15 per common share respectively, and an aggregate of 185,827 common shares were issued for gross proceeds of \$341,836.

During the year ended December 31, 2004, 1,493,254 common shares were issued for gross proceeds of \$1,146,410 on exercise of options.

(c) Stock options:

The Company maintains a fixed stock option plan that enables it to grant options to its directors, officers, employees and other service providers. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options.

The Company has reserved 4,559,133 common shares under the plan. The options vest between 18 and 36 months from the date of grant and have a maximum term of five years.

A summary of the status of the options outstanding and exercisable follows:

	Number of options	Weighted average exercise price
Balance, December 31, 2003	3,508,975	\$ 0.77
Granted	830,000	1.45
Cancelled	(129,499)	(1.24)
Exercised	(1,493,254)	(0.77)
Balance, December 31, 2004	2,716,222	0.96
Granted	1,467,500	3.07
Cancelled	(54,250)	(2.35)
Exercised	(680,976)	(0.74)
Balance, December 31, 2005	3,448,496	\$ 1.88

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

9. Share capital (continued):

(c) Stock options (continued):

The following table summarizes the stock options outstanding and exercisable at December 31, 2005:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding at December 31, 2005	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at December 31, 2005	Weighted average exercise price
\$0.75 to \$1.99	1,842,746	1.55	\$ 0.91	1,682,449	\$ 0.88
\$2.00 to \$2.99	954,250	4.19	2.77	379,460	2.71
\$3.00 to \$3.55	651,500	4.89	3.36	52,683	3.20
	3,448,496	2.91	\$ 1.88	2,114,592	\$ 1.27

During the year ended December 31, 2005, under the fair-value-based method, \$435,757 (2004 - \$319,035; 2003 - \$176,525) in compensation expense was recorded in the consolidated statements of operations and retained earnings (deficit) for options granted to employees.

The compensation costs reflected in the consolidated statements of operations and retained earnings (deficit) were calculated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2005	2004	2003
Risk free interest rate	2.99%	2.78%	3.33%
Expected dividend yield	0%	0%	0%
Stock price volatility	52%	59%	58%
Expected life of options	2.5 years	2 years	2 years

The weighted average fair value of options granted during the year ended December 31, 2005 is \$0.75 (2004 - \$0.51; 2003 - \$0.41) per share.

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

9. Share capital (continued):

(d) Warrants:

During 2005, the Company issued 300,000 warrants as contingent consideration to the principal vendors of SPS. These warrants have an exercise price of \$2.79 and each warrant entitles the holder to purchase one common share of the Company.

	Number of warrants	Weighted average exercise price
Balance, December 31, 2003	48,077	\$ 0.95
Granted	2,090,908	2.15
Exercised	(453,473)	(2.02)
Balance, December 31, 2004	1,685,512	2.15
Granted	300,000	2.79
Exercised	(1,685,512)	(2.15)
Balance, December 31, 2005	300,000	\$ 2.79

(e) Contributed surplus:

	2005	2004
Balance, beginning of year	\$ 610,690	\$ 378,522
Stock compensation	435,757	319,035
Warrants issued on acquisition of SPS (note 2)	301,606	—
Brokers' warrants issued	—	138,199
Transfer to share capital on exercise of options and broker warrants	(55,663)	(225,066)
Balance, end of year	\$ 1,292,390	\$ 610,690

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

10. Earnings per share:

The weighted average number of common shares used in the computation of earnings per share is as follows:

	2005	2004	2003
Weighted average common shares used in the computation of basic income (loss) per share	34,187,205	30,116,949	22,826,155
Weighted average common shares from assumed conversion of dilutive stock options	1,385,722	1,685,959	—
Weighted average common shares from assumed conversion of dilutive warrants	25,628	252,399	—
	35,598,555	32,055,307	22,826,155

Share options to purchase 551,500 common shares at \$3.42 to \$3.55 per share were outstanding in 2005 (2004 - 50,000 common shares at \$2.75 per share) but were not included in the computation of diluted earnings per share because their effect is antidilutive.

11. Research and development costs:

	2005	2004	2003
Research and developments costs	\$ 1,524,658	\$ 1,347,065	\$ 1,073,347
Investment tax credits	(620,935)	(316,000)	—
Government assistance	—	(71,223)	(286,038)
	\$ 903,723	\$ 959,842	\$ 787,309

CTI has entered into a Contribution Agreement (the "Agreement") with Sustainable Development Technology Canada. Under the terms of the Agreement, CTI is to be reimbursed for certain research and development costs incurred to develop and commercialize specific projects to a maximum contribution of \$500,000. The contribution limit was reached in 2004.

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

12. Related party transactions:

During the year ended December 31, 2005, the Company paid \$64,735 (2004 - \$83,000; 2003 - \$83,000) for research and development services to a director of the Company. In addition, the Company paid \$24,312 (2004 and 2003 - \$nil) for rent to a company controlled by an officer of the Company.

The Company had an advisory agreement with a company controlled by a director and officer of the Company in the amount of \$10,000 per month, which expired July 2005. The advisory agreement has been renewed on a month-to-month basis. During the year ended December 31, 2005, the Company paid management fees of \$120,000 (2004 - \$120,000; 2003 - \$120,000) under this agreement.

13. Financial instruments:

(a) Fair value:

For certain of the Company's financial instruments, including cash and cash equivalents, short term investments, accounts receivable, and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their immediate or short-term maturity. The fair value of obligations under capital leases, calculated at the present value of future payments and discounted at the current market rates of interest available to the Company for debt instruments with similar terms and maturity, approximate their carrying values. The fair value of forward exchange contracts is calculated using current market rates for the settlement of the derivative instruments.

(b) Currency risk:

The Company enters into forward foreign exchange contracts to manage its foreign currency exposure. The contracts oblige the Company to sell U.S. dollars in the future at predetermined exchange rates. The contracts are matched with anticipated future sales in foreign currencies.

At December 31, 2005, current assets included \$nil (2004 - \$1,834,350) of the fair value of unrealized forward contracts due to the Company in Canadian dollars and current liabilities included \$nil (2004 - \$1,803,300) of the fair value of unrealized forward contracts due by the Company in Canadian dollars to December 31, 2005. The difference between the unrealized forward contracts receivables and payables balances of \$nil (2004 - \$31,050) has been recorded as an unrealized gain in the consolidated statements of operations and retained earnings (deficit) for the year ended December 31, 2005.

Foreign exchange losses (gains) recognized in the determination of net earnings (loss) for the year were \$(122,462) (2004 - \$(30,850); 2003 - \$290,456).

(c) Concentrations of credit risk:

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash equivalents, short-term investments and trade accounts receivable. To reduce credit risk, cash equivalents are only held at major financial institutions and management performs ongoing credit evaluations of its customers' financial condition. The Company maintains reserves for potential credit losses.

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

14. Commitments:

The Company has operating lease agreements for the rental of premises and equipment. The minimum future annual rental payments under the leases are as follows:

Years ending December 31:

2006	\$	691,552
2007		463,279
2008		354,871
2009		214,959
2010		117,530
	\$	1,842,191

15. Changes in non-cash operating working capital:

	2005	2004	2003
Accounts receivable	\$ (1,310,896)	\$ 312,333	\$ (756,030)
Inventories	(4,112,082)	(853,378)	(475,947)
Prepaid expenses and deposits	(391,456)	(217,961)	12,106
Accounts payable and accrued liabilities	848,674	(321,147)	163,495
Income tax payable	10,007	—	—
Forward exchange contracts	31,050	(31,050)	—
Deferred revenue	(222,550)	(25,807)	52,402
	\$ (5,147,253)	\$ (1,137,010)	\$ (1,003,974)

16. Industry segment and foreign operations:

The Company operates in one segment being the development and manufacturing of lighting solutions and the sale of related products to consumers and suppliers worldwide. Since the Company operates in one segment, all financial segment information can be found in the consolidated financial statements.

There were no sales to any individual customer for the 12 months ended December 31, 2005 and 2004 that represented more than 10% of sales for the period.

As at December 31, 2005 and 2004, substantially all of the assets related to the Company's operations were located in Canada except for inventory on hand in Santa Cruz, California as at December 31, 2005 of \$1,441,264.

CARMANAH TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

Years ended December 31, 2005 and 2004

16. Industry segment and foreign operations (continued):

For geographical reporting, revenues are attributed to the geographic location in which the customer is located as follows:

(thousands of dollars)	2005		2004		2003
North America	\$	32,456	\$	11,898	\$ 6,509
South America		324		326	173
Europe		2,746		2,058	1,852
Middle East		2,321		1,006	330
Asia		530		462	222
South Pacific		353		145	134
	\$	38,730	\$	15,895	\$ 9,220

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Investment Information

(as of April 5, 2006)

Common Shares

Stock Exchanges:

- Toronto Stock Exchange
Stock Symbol: CMH
- Berlin Stock Exchange
Stock Symbol: QCX
Security Code No.: WKN 662218
- Deutsche Börse AG
Stock Symbol: QCX
Security Code No.: WKN 662218
- US Quotation Services:
PinkSheets®
Stock Symbol: CMHXF

Issued and Outstanding:
40,648,802 Common Shares

Fully Diluted: 44,665,048
Common Shares
(generates \$8.8 million in
additional working capital)

Carmanah is a fully reporting issuer
in the United States. Registration
Statement on form "20-F" is filled
with the SEC.

Corporate

Financial Year-End: December 31

Auditor: KPMG LLP, Victoria, BC, Canada

Legal Counsel: Borden Ladner Gervais
LLP, Calgary, AB, Canada

Transfer Agent: Pacific Corporate Trust
Company, Vancouver, BC, Canada

Industry Classification: Industrial
Products – Technology

CUSIP Number: 143126 10 0

Annual General Meeting

The Annual General Meeting of Carmanah
Technologies Corporation will be held on
Thursday, May 25, 2006, at 10:00 AM
PDT at the Delta Victoria Ocean Pointe
Resort, 45 Songhees Road, Victoria,
BC, Canada.